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A SUGGESTED PLAN FOR PERMANENT GOVERNMENTAL SUPERVISION OF RAILROAD OPERATION AFTER THE WAR

BY ALEXANDER W. SMITH

The operation of the railroads as a war measure presents one of the most drastic economic revolutions in our history. Regardless of the duration of the war, the complications springing out of governmental operation will probably preclude a return to the old system. Many divergent but coöperating interests will oppose such a return. The grafters, if such there be, will desire to continue their graft. The politicians will covet the patronage and power which will flow from government operation in ever increasing volume. No doubt a majority of the security holders will prefer to sell out to the government. Certainly so, if too great a sacrifice is not enforced. The combined force of these selfish interests, which may be expected to organize for mutual profit and protection, will override the public interest unless a counter campaign is launched early in the contest. As is usual under popular rule, education is our only weapon in defense of the general welfare.

Thinking people are alive to the fact that the interests of the shipper and passenger far outweigh all other interests in the problem. Some permanent plan should be promptly thought out and crystallized in the hope of at once satisfying the advocates and opponents of outright government ownership.

THE PLAN FOR REGIONAL FEDERAL HOLDING COMPANIES

Hon. William W. Cook of the New York Bar, a prominent and successful corporation lawyer, has filed with the Joint Committee on Interstate Commerce at Washington, "A Proposed Solution of the Railroad Problem."

He went to the pains of reducing his proposition to the concrete form of a bill which he appends to his paper. He digests this bill in these words:

1.—Congress should incorporate five Federal Railroad Companies for five divisions of the whole country. This corresponds to the plan of the twelve Federal Reserve Banks,

2.—The five Federal Railroad Companies would acquire gradually the stocks and bonds of the present railroad companies, each in its own district, just as the Canadian Government is about to acquire the stock of the Canadian Northern Railway Company. These stocks and bonds would be acquired at their actual value by purchase, exchange or condemnation. The Federal Railroad Companies could obtain the money by the issue of their own stock with 3 per cent dividends guaranteed by the government, with a possible extra 3 per cent if earned, all over 6 per cent to go to the government. Such guaranteed stock would also be issued to provide fresh money for railroad extensions and additional facilities; also to acquire from time to time at their actual value the present outstanding railroad obligations. The guaranteed dividends could be at a higher rate than 3 per cent, if necessary, and would vary from time to time according to the general conditions, but when once fixed as to any particular issue would not be subsequently changed for that issue.

3.—The Federal Railroad Companies would then control the present railroad companies and could take over their tangible property if the state charters ceased to be desirable, or could condemn the railroads if necessary.

4.—A Federal Railroad Board (similar to the present Federal Reserve Board) nominated by the President and confirmed by the Senate, would name the directors of the five Federal Railroad Companies and would control the finances of those companies and regulate all railroad rates and service.

5.—The plan embodies the idea of government control and government financial responsibility (reduced to a minimum) without government ownership.

The plan contemplates the acquirement by these federal railroad companies not only of the present railroad stocks and bonds, but the railroads themselves by condemnation if necessary. The learned author replies to the suggestion that his plan merely draws "a thin veil over government ownership" by saying "its sole purpose is to avert government ownership"; that government ownership would mean an additional national debt of about twenty billion dollars, while his plan would not. Yet his plans guarantee minimum dividends, and certainly dividends come behind all operating expenses and fixed charges. One had as well owe a debt literally as to underwrite indefinite payment of dividends on stock of the corporation which does owe it. For the same reason, while state taxation may be continued (by permission of the federal government only after it acquires the railroads under said plan), the taxes paid would be chargeable to earnings before dividends could be declared. Hence the government guaranty of dividends would underwrite the payment of taxes due the states. Further quoting from Mr. Cook:

All this is to be done gradually, to avoid shocks, waste, unfair prices and hasty inexperience. The railroads themselves, however, propose to you that Congress shall pass a law that the present railroads shall take out Federal charters at once or else cease doing interstate business on a certain date. This is to be done under power of Congress to "regulate" commerce. Power to "regulate" \$17,000,000,000 of property is alleged to give power to destroy \$17,000,000,000 by forbidding its use unless it turns itself inside out by accepting a federal charter. That is hardly "due process of law." To the ordinary mind it would seem that the penalty of death does not fit the fictitious crime of holding on to a state charter which everybody admits is legal. . . .

And the old corporations are to continue. Certainly Congress cannot dissolve them, and hence the new Federal corporations will have two charters, one from the state and one from Congress, with inextricable conflict, litigation and Pandora box confusion. The railroads themselves cannot afford to have compound charters. We would still have conflict of state regulation with national regulation; state commissions with Interstate Commerce Commission; state persecution with national intervention.

It is a fair deduction that the creation of regional federal holding companies in Mr. Cook's plan was designed as a substitute for federal incorporation of existing railroad companies. His novel and interesting plan is an application to the railroads of the organic plan of the federal reserve banking system. It is submitted that the parallelism is carried too far. A banking corporation has no physical attachment to its location. Being purely a financial institution, it is capable of complete liquidation without materially affecting the particular community it was wont to serve. Not so with a railroad. Once established and located, it becomes an integral part of the life of the communities it traverses. Investment in real estate for all commercial, industrial and domestic uses is invited. Much of the value, and frequently all of the utility, of such property springs from and depends upon the continued operation of the railroad. The elements of support and expansion of banks are liquid and easily converted, while with railroads they are permanent physical additions, such as yards, terminals, warehouses, etc.

The location of districts, and establishment of federal reserve banks therein, serve a useful purpose in stabilizing and equalizing the available banking capital and reserves. Districts for the general operation of government-controlled railroads would serve no useful purpose, but would tend to increase the opportunities for political interference in playing one section against another, although the

country may be divided into regional districts for special purposes from time to time.

A FEDERAL RAILROAD BOARD

If, however, the suggestion of regional federal railroad holding companies, which Mr. Cook elaborates, is not feasible, the establishment of a Federal Railroad Board along the lines suggested by him is a most valuable element in the solution of the problem of permanent and practical government control of railroads short of government ownership. Omitting the functions and attributes applicable to the holding companies, the composition of this Board is admirably stated by Mr. Cook as follows:

A Federal Railroad Board is hereby created which shall consist of six members, one to be the Secretary of Railroads, and the remaining five members to be appointed by the President of the United States, by and with the advice and consent of the Senate. In selecting the said five members of the Federal Railroad Board, not more than one shall be selected from any one Federal Railroad district. The said five members shall devote their entire time to the business of the Federal Railroad Board and shall each receive an annual salary of twelve thousand dollars, payable monthly, together with actual necessary traveling expenses.

. . . . No Senator or Representative in Congress shall during his term of office, or for five years thereafter, be a member of the Federal Railroad Board. The members of the said Board shall be ineligible during the time they are in office, and for two years thereafter, to hold any office, position or employment in any railroad company, and shall not, during that time, hold or own stock therein. At least one of said five members shall be a person, experienced in the management and operation of railroads. One member shall be designated by the President to serve two years, one for four, one for six, one for eight and one for ten years; and thereafter, each member so appointed shall serve for a term of ten years unless removed for cause by the President.

As the function of this Board is to control and regulate rates, securities, service and operation, it would obviously supersede the Interstate Commerce Commission.

Full credit is due Mr. Cook for the valuable suggestions he has made, but it is submitted that the adoption of his plan would but open an easy pathway to government ownership instead of proving a substitute for it.

THE FEDERAL INCORPORATION OF RAILROADS

The idea of federal incorporation of railroads hitherto developed by the representatives of the railroad interests before the Congressional Joint Committee seems to contemplate merely the

creation of new federal railroad companies into which existing systems are to be transferred, and this idea seems to have been in the mind of Mr. Cook when he criticizes the proposed plan as being an arbitrary and summary transfer of the title to \$17,000,000,000 of property from the present owners to new corporations. Obviously, such a proceeding would not only be illegal and unconstitutional, but wholly impractical. However, there seems to be neither a constitutional nor practical objection to nationalizing existing state railroad companies just as under the Act of Congress any state bank may be nationalized.

It is settled law that the conversion of a state bank into a national bank does not destroy the identity or corporate existence of the bank nor discharge it as a national bank from any of its liabilities outstanding at the time of the conversion. Such conversion does not close the business of banking under the state charter, but simply results in a continuation of the same body with the same officers and stockholders, the same property, assets and banking business under a changed jurisdiction. It remains one and the same bank and goes on doing business uninterruptedly.¹

In the earlier history of this government, the question of jurisdiction of Congress over banking business occasioned much litigation and bitter diversity of political opinion, until finally settled by the authoritative ruling of the Supreme Court under Chief Justice Marshall.² Certainly the basis of jurisdiction over banks is no firmer than the express commitment to Congress of exclusive jurisdiction to regulate interstate commerce. Inasmuch, however, as the basis of the jurisdiction of Congress over banks rests upon the general delegation of power to execute other powers in the Constitution, a bank must become an instrument in the prosecution of the fiscal operations of the government before Congress obtains jurisdiction. In like manner, a railroad created by a state must engage in interstate commerce before jurisdiction over it is vested in Congress. But nationalization of a bank is a condition precedent to its becoming an instrument in the prosecution of the fiscal operations of the government, whereas a state railroad is authorized to engage in interstate commerce (in the absence of a law of Congress prohibiting it) without the necessity of a federal charter.

¹ *Metropolitan National Bank v. Claggett*, 141 U. S. 520.

² *McCulloch v. Maryland*, 4 Wheaton, 316.

This distinction is most important when you come to consider whether or not Congress can compel a state corporation to become a national corporation. It may or may not be within the power of Congress to compel a state bank to become an instrument in the prosecution of the national government's fiscal operations by taking out a federal charter. That question is foreign to the present discussion. That Congress has the power to *compel* a railroad corporation created by a state and engaged in interstate commerce, to take out a federal charter is a condition precedent to the inauguration of the plan herein proposed. Whether or not this power exists is, therefore, a question which demands solution.

The power of creating a corporation is never used for its own sake, but for the purpose of effecting something else.³ It was, therefore, held to be within the discretion of Congress to create and use banks as convenient, useful and essential instruments in the prosecution of the fiscal operations of the government. The power to do so is derived from the general clause delegating power to make all laws necessary or proper to execute the other powers delegated in the Constitution.

It is hoped this paper will demonstrate that in exactly the same way Congress may transform state railroads into federal railroads if, in its discretion, such action is necessary and proper in execution of its power to regulate commerce, and where any given railroad is already engaged in interstate commerce, it may be compelled to become a federal railroad corporation if Congress so enacts.

In the nature of the case, railroads created by state legislation cannot, as a matter of right, exercise their corporate powers outside of the territorial limits of the state creating them. In *Bank of Augusta v. Earle* (13 Peters, 519), the Supreme Court, speaking through Chief Justice Taney, says:

It is very true that a corporation can have no legal existence outside of the boundaries of the sovereignty by which it is created. It exists only in contemplation of law and by force of law; and where that law ceases to operate and is no longer obligatory, a corporation can have no existence. It must dwell in the place of its creation and cannot migrate to another sovereignty.

Nor can two or more states act in-concert for the purpose of creating an interstate railroad. This was attempted about the middle of the last century by the states of Ohio and Indiana.

³ *McCulloch v. Maryland*, 4 Wheaton, 316.

Acting conjointly, these states made an honest effort to create a single railroad corporation to operate across their respective boundaries through their respective territories. When called upon to pass upon the question of whether one or two corporations was thus created, the Supreme Court, speaking through Chief Justice Taney in the case of *Ohio & Miss. Railroad Co. v. Wheeler*, (1st Black, 286), said:

It is true that a corporation by the name and style of the plaintiff appears to have been chartered by the States of Indiana and Ohio, clothed with the same capacities and powers and intended to accomplish the same objects, and it is spoken of in the laws of the states as one corporate body, exercising the same powers and fulfilling the same duties in both states. Yet, it has no legal existence in either state, except by the laws of the state. And neither state could confer on it a corporate existence in the other, nor add to nor diminish the powers to be there exercised. It may, indeed, be composed of and represent, under a corporate name, the same natural person. But the legal entity or person, which exists by force of law, can have no existence beyond the limits of the State or sovereignty which brings it into life and endues it with its faculties and powers.

It follows that the exercise of corporate functions of a state railroad corporation beyond the limits of the state bestowing them must, under our system, be based on comity between the states. While the intimate union of the states, as members of the same political family, no doubt created a greater degree of comity than exists between foreign nations, yet when the interest or policy of any state requires it to restrict the rule of comity, it has but to declare its will, and the further exercise of rights resting on comity ceases. Therefore, a corporate creature of one state doing business in another state is exercising a privilege and not a legal right.

From what has been said, it becomes apparent that it is entirely without the power of a state, or any combination of states, short of the Union as a whole, to confer upon a single railroad corporation the express power to engage in interstate commerce. To attempt to do so would be a contradiction in terms, for a state has no power, by virtue of its grant, to authorize a railroad incorporated by it to do business in another state; and yet the transaction of business between two states is the very essence of interstate commerce. The "power to regulate commerce" conferred by the Federal Constitution on Congress is the power to prescribe the rule by which "commerce" is to be governed. Like all other powers vested in Congress, it is complete in itself, may be exercised to its utmost

extent, and acknowledges no limitations other than those prescribed by the Constitution.

Any railroad system engaged in interstate commerce, unless already operating under a federal charter, must be made up of constituent companies created by the several states through which the system operates. By the combination and consolidation of these railroads into an interstate system of railroads, an element has entered into the structure of the system as a whole which is different from and in addition to anything derived from the respective charters of the constituent companies. That element is the *legal right* of interstate carriage as distinguished from the *privilege* of interstate commerce, resting on comity. Plenary authority over the system, thus becoming an integral part of interstate commerce, is thereby vested in the Congress of the United States. If Congress, in its wisdom, legislates that the constituent companies who owe allegiance to the several states creating them, should, in their combined functions forming an interstate system, become a national corporation, there would seem to be no legal obstacle to such relation being compelled.

This is true because such a combination and consolidation into an interstate system is impossible except by the voluntary assent and coöperation of the states and the several railroad corporations themselves. The states must expressly authorize such combinations and the companies must take the necessary corporate action to bring them about. During the early legal history of railroads in this country, the states were jealous of such combinations and granted power to enter them with reluctance. The benefits of such enlargement of facilities became so obvious that this attitude soon changed into acquiescence and encouragement, and general laws authorizing such combinations, *where competition was not interfered with*, became universal. More and more the public is now coming to see that competition between railroads is inherently wasteful and must be done away with. The results following the coöperation of the great systems through the War Board, and in spite of the anti-trust laws, have demonstrated how unwise our railroad legislation has been in the past.

The necessary consequence of combining two or more railroads created in different states into one operating machine is to convert the system into an instrumentality of interstate commerce. All

parties participating in such a change of status are charged with knowledge that the unlimited power vested in Congress to regulate commerce at once attaches to all the activities of this instrumentality which enter as elements into interstate commerce.

If Congress exercises this power to compel federal incorporation, neither the states creating the constituent companies and authorizing their combination into one system, nor the corporations themselves, can object on the ground that such an act (to be enforced only by forbidding the use of such property in interstate commerce except through the instrumentality of a federal charter), would not conform to the "due process of law" demanded by the Constitution. This is so because all parties have voluntarily placed themselves within the rightful exercise of this power, and the extent to which it is exercised is exclusively within the discretion of Congress.

We thus have the necessary conditions to action by Congress compelling interstate carriers to become national corporations, namely: (a) They are already engaged in interstate commerce (not as a matter of grace, but as a matter of legal right), and therefore within the jurisdiction of Congress, which becomes exclusive when exercised; (b) Congress is clothed with full discretion to determine whether or not its power to regulate makes it necessary and desirable that such instrumentalities should be nationalized. It seems to follow as a necessary consequence that with the power and the will to exercise it, there is a clear pathway to the point where Congress may compel interstate carriers to take out federal charters.

NATIONALIZING THE RAILROADS

The great practical difficulty which has hitherto confronted those who contemplated nationalizing the railroads has been a lack of well defined means for transforming and transferring the variegated contract obligations and liabilities of interstate carriers now outstanding, into obligations and liabilities of new corporations which the federal government might create. If, instead of creating an entirely new corporation, proper legislation be passed by Congress to convert existing railroad companies into federal railroad companies, these outstanding obligations and liabilities will not thereby be affected. The great tangle of contractual relations springing from leases, sub-leases, majority stock control, absolute

ownership, and all of the kaleidoscopic arrangements by which the constituent elements of the several interstate systems have been thrown together, would remain after nationalization as effectually in operation as before. The identity of the old corporations would not be changed; there would not be a state corporation and a federal corporation, but only the corporation originally created by the state with its allegiance transferred to the nation. Some may say that this would place the imprimatur of federal sanction upon outstanding securities which have been in some cases over-issued, and which over-issues are supposed in some quarters to be a great evil.

It is not certain that the issuance of these securities under the old, unrestricted and unregulated methods has been an evil. It is very doubtful whether the railroad systems of the United States could have procured the capital necessary for their construction except under the old speculative method of issuing their securities. It is not reasonable to expect a capitalist to invest his money on a low interest basis in a new enterprise, the success of which remains to be demonstrated. The history of railroad construction is, almost without exception, that the original builders of railroads lose their initial investments. These investments would have been withheld altogether but for the possibility of very large speculative profits. The development of these systems, with a few exceptions, has shown that the amount of these securities has not been excessive, and their value has at all times been regulated and controlled by the inexorable law of public demand. The price of such securities, fluctuating as it does, is controlled by a law more uniform and universal in its application than any legislative act could possibly be. That law would disturb the arbitrary legislative value of such securities before the ink could dry on the signature of the executive approving such an act. Neither the public nor the investor will suffer by leaving existing securities to the operation of the law of supply and demand which fixes the market price of everything.

It is not within the limits of this paper to go into much detail as to the functions of the proposed Federal Railroad Board. One complication frequently arising under our present system could be obviated under the new plan in such way as to remove one of the weaknesses in the ante-bellum system of management. When a given railroad fails to prove a financial success—let the reasons be

what they may—an embarrassing situation at once arises. The community it serves is vitally interested in its continued operation. Its public service cannot be abandoned. It cannot be liquidated and eliminated, as a bank is, without vitally affecting the section it traverses. Receivership and court operation ensue, and reorganization follows. This process is all too familiar in all sections, and is the underlying cause of the concentration of railroad holdings in the money centers of the East. It is up to the bondholders to reorganize, and they are thus compelled to take over the properties whether they want to or not.

Under no plan hitherto suggested is any satisfactory solution of the difficulty presented. The local community has practically no interest in these receivership proceedings, for it has come to believe that, whatever happens, the railroad must continue to operate and only in its continued operation are those interested who have no financial holdings in the company. If Congress would bestow upon the Federal Railroad Board power and discretion to authorize the abandonment and dismantling of a railroad which had proved a financial failure, and consequently not a public necessity, these people who had made investments upon the faith of the continued operation of the road would at once have a vital interest in its continuance, and from an attitude of indifference they would be converted into earnest advocates of such conservative management as would insure the continued service of the particular line in question. In such circumstances, it would become a matter of great concern to each community traversed by a railroad to see that its directorate and its executives were on the job of successful railroad operation, rather than engaged in the questionable practice of speculation in railroad exploitation, which, in some cases in the not distant past, have proved such a stench in the nostrils of the public. The same interest would have a healthful tendency to keep politics out of railroad management and, generally, would result in the public's keeping a very close watch on the situation as a whole.

THE STATUS OF STATE RAILROAD COMMISSIONS

Another matter of widespread interest is the relation of the several state railroad commissions to the situation which would be created if the plan herein proposed became operative. Notwith-

standing the fact that a large percentage of the several state railroad commissioners have committed themselves to the wisdom of federal incorporation of interstate carriers, thereby transferring exclusive jurisdiction to the federal authorities, a large number of the state commissioners naturally oppose such a course on the idea that it would leave them without sufficient functions to perform to justify the existence of their offices. It is submitted that this is not the case. The several state commissioners will have a broad and busy field of usefulness, after the entire jurisdiction over interstate carriers is transferred to the general government, in looking after the public utilities companies and the local regulation of railroads, which it is proposed to leave under the jurisdiction of the several states. A dispassionate consideration of the question by these very intelligent gentlemen now occupying positions on the several boards of state commissioners cannot fail to convince them of the soundness of this suggestion, and when the matter is properly understood and digested, all opposition to the change of regulation will no doubt disappear.

Until otherwise provided by Act of Congress, the several states should have jurisdiction over these national railroad corporations in the following particulars:

(a) In all suits against said corporations where legal venue exists and lawful service may be had.

(b) To make reasonable police regulations: 1st, as to separation of different races in the several stations and on local trains on a national railroad; 2d, as to the sanitary appliances and their uses while railroad cars are within the corporate limits of any municipality; and, 3d, as to the use and sale of intoxicating liquors on the premises or cars of such railroads.

(c) To regulate reasonably national railroads in the matter of grade crossings, stock-gaps and right-of-way fences.

(d) Any city having a population of not less than 150,000 according to the last preceding census of the United States should have jurisdiction, if thereto authorized by its charter, to regulate the motive power of national railroads for the movement of trains and cars within the corporate limits of such cities.

TAXES, RATES AND SECURITIES

Said nationalized railroad corporations should be uniformly taxed by the federal government a reasonable percentum of their gross receipts and their physical properties and securities exempted

from all other form of taxation. The taxes thus imposed should be apportioned as follows: one-fourth to the states, according to mileage in the several states; one-fourth to the several incorporated towns and cities into or through which the lines of said railroads may run, in proportion to their population as declared by the last preceding United States census; one-fourth to the several counties through which the lines of said railroad companies run, in proportion to the mileage thereof in each of said counties; and the remaining one-fourth covered into the Treasury of the United States—all expenses of collecting said taxes to be deducted before apportionment.

The fabric of freight rates is so pervasive and so intricate that the promulgation of rates by state commissions which are not in consonance with the interstate rates, filed with the Interstate Commerce Commission, have in the past greatly deranged its delicate pattern. This derangement became so acute as to culminate in what is known as the Shreveport Case,⁴ which is now being followed by the litigation in Texas, growing out of injunction issued by the three-judge District Court of the United States against the enforcement of the State Railroad Commission rates. This experience demonstrates that it is unwise for the regulation of railroad freight rates to be vested in more than one body. When the railroads have become national corporations, there would be no difficulty in transferring to the federal authorities the entire subject of freight rates, both interstate and intrastate. This could be done without the condition precedent that the intrastate rate affects the interstate rate, but on the much broader ground that the corporation itself is a federal instrumentality and as much subject to federal control of its charges as a national bank is to federal control of its interest rates, to the exclusion of state legislation on the subject.

With the latitude afforded the Federal Board of Control of railroad operations under the plan here proposed, there would be no difficulty in so adjusting rates as to allow greater compensation to some lines than to others. One of the greatest difficulties under the old régime was to obviate the injustice to the small line located in sparsely settled territory in having to do this service for the same rate of compensation as a road located in a densely populated section. The great trouble has been to fix a rate which would not starve the small poor line and at the same time create too much

⁴*Houston & Texas Central Ry. Co. v. U. S.* 234 U. S., 342.

revenue for the large rich line. There would be no legal objection to the Federal Railroad Board's fixing a basic rate with percentages of increase in various sections. For this purpose, a division of the country into regions or districts would be very useful.

It goes without saying that the Federal Railroad Board would have entire and exclusive control of the issuance of all new securities by the nationalized railroad companies.

POOLING OPERATIONS

Experience under the excellent work of the Federal War Board, which will be accentuated under the government operation for war purposes, has disclosed that great economies may be realized by pooling business under certain conditions. While pooling is a very difficult matter with segregated ownership of the several lines, it would be practicable to work out a plan whereby certain sections of the country, or the transportation of certain commodities, or the transportation of all commodities during certain seasons, might be pooled and the proceeds equitably distributed to the members of the pool so as to prevent wasted energy and increase the efficiency and working capacity of all parties concerned. While such a provision would *pro tanto* modify the provisions of the anti-trust laws, there seems little doubt but that public opinion will justify such modification by the time the necessity for it arrives. Many other functions of the Federal Railroad Board will occur to the thoughtful minds of men familiar with railroad matters.

When the Congress has transferred the allegiance of the interstate carriers from the several states to the federal government, and they thereby become its own creatures, many matters of regulation which are now without the power of Congress, will come within its jurisdiction, and experience will, from time to time, suggest many forms of regulation which hitherto have been neither legal nor practical; such, for instance, as limitation of dividends, creation of sinking funds, setting up reserves, and application of surplus to extensions and improvements.

The basic principles of the plan herein suggested thus appear to be the conversion of all interstate carriers into creatures of federal law and placing over them a competent board of control, not only in the matter of rates and regulatory rules such as have been within

the limitations of the Interstate Commerce Commission, but of the physical operations of the companies.

It will be conceded that under our form of government, the greatest danger to any successful plan of federal control of the operations of the railroads, whether through outright ownership or otherwise, is political influence and intermeddling. This danger is so obvious and so great in connection with government ownership, that it outweighs every economic argument which can be adduced in favor of government ownership. It is submitted that, under the plan herein proposed, this danger is reduced to the minimum by the creation of a department of the government for the operation of railroads and the appointment therein by the President of executive men of proven ability, with long terms of office and good salaries. Men of large caliber will be available, and it is fair to assume that pride in the successful discharge of their high duties will forestall any native proclivities towards political activities, which might otherwise develop.

It is hoped the suggestions of this paper may start discussion of the subject, and that by the time government operation under the present arrangement becomes no longer necessary, a satisfactory plan for restoring the railroads to the possession and operation of their rightful owners will have been provided. No plan can succeed that does not command the approval of public sentiment, and the promise and potency of this and all similar suggestions must spring from intelligent consideration and disinterested discussion.